

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 NEA-10 ISO-00 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 H-01 IO-13 AGRE-00 /116 W
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P 250346Z APR 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 4731
INFO AMEMBASSY KATHMANDU PRIORITY

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USADB

FOR NAC AGENCIES

EO 11652: N/A
TAGS: EAID, EFIN, ADB, NP
SUBJECT: PROPOSED ADB TECHNICAL ASSISTANCE GRANT TO NEPAL
FOR LIVESTOCK DEVELOPMENT PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES 230,000 DOLLARS EQUIVA-
LENT TA GRANT TO NEPAL TO FINANCE 220,000 DOLLARS IN FOREX
AND 10,000 DOLLARS IN LOCAL CURRENCY COSTS FOR 25 MAN
MONTHS (MM) OF CONSULTANT SERVICES. THE CONSULTANTS ARE
TO FORMULATE A LIVESTOCK DEVELOPMENT PROJECT INCLUDING
INFRASTRUCTURE AND SERVICES FOR THE LIVESTOCK SECTOR ON A
NATIONAL LEVEL AND DEVELOPMENT OF THE LIVESTOCK INDUSTRY
PRINCIPALLY MILK PRODUCTION, IN THE FAR WESTERN REGION AND
THE CENTRAL REGION OF NEPAL. THE POTENTIAL LIVESTOCK
PROJECT THAT IS LIKELY TO EMERGE FROM THE TA MAY REQUIRE
10 TO 15 MILLION DOLLARS OF WHICH THE FOREX COMPONENT WOULD
BE ABOUT 50 PERCENT. THE CONSULTANTS ARE SCHEDULED TO
BEGIN WORK IN AUGUST 1978 WITH COMPLETION OF THEIR REPORT
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PLANNED IN JANUARY 1979. USADB RECOMMENDS FAVORABLE NAC
ACTION. END SUMMARY.

1. ADB DOC R34-78 DESCRIBING PROPOSED TA GRANT WAS
POUCHED TO ADDRESSEES APRIL 21, 1978. BOARD CONSIDERATION
IS SCHEDULED IN MAY 1978.

2. ADB MANAGEMENT PROPOSES 230,000 DOLLARS EQUIVALENT TO NEPAL TO FINANCE A TA GRANT TO FORMULATE A LIVESTOCK DEVELOPMENT PROJECT. PROCEEDS WILL FINANCE 220,000 DOLLARS IN FOREX COSTS FOR 25 MM OF CONSULTANT SERVICES AND 10,000 DOLLARS FOR LOCAL CURRENCY COSTS OF THE CONSULTANTS. THE BANK MAY CHARGE AGAINST AND RECOVER FROM SUCH LOAN THAT PORTION OF THE INITIAL GRANT WHICH EXCEEDS 150,000 DOLLARS IN THE EVENT THAT THE TA RESULTS IN A LOAN FROM THE BANK. THE DEPARTMENT OF AGRICULTURE WILL BE THE EXECUTING AGENCY FOR THE TA.

3. AGRICULTURE ACCOUNTS FOR 80 PERCENT OF EXPORTS IN NEPAL, 90 PERCENT OF EMPLOYMENT AND ALMOST 70 PERCENT OF GDP. LIVESTOCK PRODUCTS PROVIDE ABOUT 15 PERCENT OF GDP AND SLIGHTLY MORE THAN TWO PERCENT OF EXPORTS. HOWEVER, ABOUT SIX PERCENT OF NEPAL'S TOTAL EMPORIS ARE LIVESTOCK PRODUCTS. THE MAJOR EMPHASIS IN LIVESTOCK DEVELOPMENT IN NEPAL IS ON INCREASING MILK PRODUCTION TO IMPROVE NUTRITIONAL STANDARDS AND TO REDUCE IMPORTS OF DAIRY PRODUCTS WHERE SOME IMPROVEMENT HAS BEEN REALIZED. ALL PROGRAMS IN THE SECTOR, HOWEVER, ARE SERIOUSLY HAMPERED BY A CHRONIC SHORTAGE OF SKILLED MANPOWER. NEPAL'S LIVE-STOCK INDUSTRY IS ALSO EFFECTED BY ANIMAL DISEASES, PARTICULARLY FOOT AND MOUTH DISEASE AND HEMORRHAGIC SEPTICAEMIA IN CATTLE AND BUFFALO. WHILE SOME VACCINES ARE PRODUCED IN NEPAL, THERE IS A CRITICAL NEED TO UPGRADE LIMITED OFFICIAL USE

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VACCINE PRODUCTION FACILITIES TO MEET INCREASED DEMAND FOR VACCINES REQUIRED UNDER THE NATIONAL DISEASE CONTROL PROGRAM.

4. THE TERMS OF REFERENCE FOR THE CONSULTANTS SHOULD ENABLE THEM TO FORMULATE A VIABLE INVESTMENT PROJECT FOR IMPROVING LIVESTOCK SERVICES AND PROMOTING PRODUCTION ORIENTED DEVELOPMENT. THE CONSULTANTS ARE EXPECTED TO ASSESS OVERALL TECHNICAL FEASIBILITY AND ECONOMIC VIABILITY FOR A POTENTIAL LIVESTOCK DEVELOPMENT PROJECT. PARTICULAR ATTENTION WILL BE GIVEN TO THE MARKET OUTLOOK FOR MILK AND MILK PRODUCTS, THE AVAILABILITY OF MANPOWER TO PROPERLY IMPLEMENT A POTENTIAL PROPOSAL AS WELL AS AN INDEPTH STUDY OF INSTITUTIONAL AND ORGANIZATIONAL ELEMENTS. WHILE THE CONSULTANTS WILL BENEFIT FROM A CURRENT STUDY BEING CARRIED OUT UNDER THE INTERNATIONAL SCHEME FOR THE COORDINATION OF DAIRY DEVELOPMENT (ISCDD), THE STUDY WILL APPARENTLY NOT DUPLICATE THE DETAILED PROJECT PREPARATORY WORK TO BE CARRIED OUT UNDER THE TA GRANT. THE TA WILL FOCUS ON TECHNICAL FEASIBILITY, EXECUTING AGENCY CAPABILITY AND ECONOMIC AND FINANCIAL SOUNDNESS. IT WILL ALSO SORT OUT IMPLEMENTATION ARRANGEMENTS FOR THE PROJECT

INCLUDING DEFINITION OF THE RESPONSIBILITIES OF THE DEPARTMENT OF AGRICULTURE AND THE DAIRY DEVELOPMENT CORPORATION. WHILE CERTAIN PRODUCTION ORIENTED ACTIVITIES WILL CENTER IN THE FAR WESTERN REGION AND THE CENTRAL REGION OF NEPAL, OTHER INSTITUTION ACTIVITIES WILL TAKE PLACE IN KATHMANDU.

5. THE TOTAL COST OF THE PROPOSED TA IS ESTIMATED AT 245,000 DOLLARS EQUIVALENT OF WHICH 220,000 DOLLARS WILL FINANCE THE FOREX. THE BANK HAS AGREED TO FINANCE THE ENTIRE FOREX REQUIREMENT PLUS 10,000 DOLLARS IN LOCAL CURRENCY COST AS WELL. THE GOVERNMENT HAS AGREED TO FINANCE 15,000 DOLLARS IN LOCAL CURRENCY COST FOR COUNTERPART

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 4732

INFO AMEMBASSY KATHMANDU PRIORITY

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FOR NAC AGENCIES

5. THE TOTAL COST OF THE PROPOSED TA IS ESTIMATED AT 245,000 DOLLARS EQUIVALENT OF WHICH 220,000 DOLLARS WILL FINANCE THE FOREX. THE BANK HAS AGREED TO FINANCE THE ENTIRE FOREX REQUIREMENT PLUS 10,000 DOLLARS IN LOCAL CURRENCY COST AS WELL. THE GOVERNMENT HAS AGREED TO FINANCE 15,000 DOLLARS IN LOCAL CURRENCY COST FOR COUNTERPART SALARIES AND WAGES, OFFICE FACILITIES AND INCIDENTALS. THE BANK HAS AGREED TO FINANCE THE HIRE OF MOTOR VEHICLES, INTERNAL AIR TRAVEL AND SECRETARIAL SERVICES.

6. THE STUDY WILL REQUIRE THE SERVICES OF A TEAM OF SEVEN CONSULTANTS TO BE RECRUITED FROM A CONSULTING FIRM FOR A

TOTAL PERIOD OF 25 MM. EXPERTS INCLUDE ECONOMISTS; 4MM, ANIMAL PRODUCTION; 4MM, MARKETING/ECONOMIST; 4MM, AGRONOMIST/PASTURE; 4MM, VETERINARY SERVICES; 4MM, VACCINE PRODUCTION; TWO AND ONE HALF MM AND DAIRY ENGINEERING; TWO AND ONE HALF MM. DETAILED TERMS OF REFERENCE FOR THE

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CONSULTANTS IS FOUND IN THE APPENDIX IN DOC R34-78.

7. THE DEPARTMENT OF AGRICULTURE WILL BE THE EXECUTING AGENCY FOR THE TA GRANT. THE DEPARTMENT OF AGRICULTURE, THROUGH ITS ANIMAL SERVICES DIVISION, IS RESPONSIBLE FOR ALL MATTERS PERTAINING TO LIVESTOCK PLANNING, DEVELOPMENT AND RESEARCH. THE DIVISION IS RESPONSIBLE FOR FOUR REGIONAL VETERINARY HOSPITALS, 26 VETERINARY HOSPITALS, 18 VETERINARY DISPENSARIES AND THREE QUARANTINE CHECK POSTS. THE DEPARTMENT OF AGRICULTURE ALSO RUNS FOUR ANIMAL BREEDING CENTERS. THE EXECUTING AGENCY WILL BE RESPONSIBLE FOR COORDINATING THE WORK OF THE SEVEN CONSULTANTS AND THE AGRIC DEV BANK, THE DAIRY DEV CORP, AND TRIBHUVAN UNIVERSITY. ALL THREE AGENCIES AND THE MINISTRY OF FINANCE WILL JOIN THE DEPARTMENT OF AGRICULTURE TO FORM A COORDINATING COMMITTEE FOR THE TA GRANT.

8. USADB COMMENT: THE TERMS OF REFERENCE OF THE CONSULTANTS COVERS A BROAD AREA THAT IS BADLY IN NEED OF ASSISTANCE AND WHICH CAN PROVIDE BASIC HUMAN NEEDS TO THE POOR, PARTICULARLY WHERE PRODUCTION ORIENTATION IN THE TWO REGIONS IS CONTEMPLATED. THE COORDINATION RESPONSIBILITIES OF THE DEPARTMENT OF AGRICULTURE ARE FORMIDABLE, HOWEVER. A NUMBER OF DONORS HAVE WORKED ON THE INSTITUTIONAL ASPECTS OF DEVELOPMENT IN NEPAL FOR A NUMBER OF YEARS. THE CONSULTANTS ARE NOW MANDATED WITH THE TASK OF DETERMINING WHETHER THE DEPARTMENT OF AGRICULTURE CAN INDEED TAKE ON THIS IMPORTANT RESPONSIBILITY. USADB BELIEVES THE TA IS A STEP IN THE RIGHT DIRECTION AT THIS TIME FOR NEPAL AND, THEREFORE, RECOMMENDS FAVORABLE NAC ACTION.

9. REQUEST AMEMBASSY KATHMANDU COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DATED JULY 3, LIMITED OFFICIAL USE

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1972. USADB WOULD PARTICULARLY LIKE TO BENEFIT FROM USAID'S EXPERIENCES REGARDING THE INSTITUTIONAL CAPABILITY OF THE DEPARTMENT OF AGRICULTURE. LEFES

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